Manitoba

Annual Report
1999 - 2000

Finance

Debt Retirement Fund

Includes 10% post-consumer waste

Minister of
Finance

Room 103
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

His Honour Peter Liba
Lieutenant-Governor of the Province of Manitoba
Winnipeg, Manitoba

May It Please Your Honour,

The undersigned has the honour to present the Annual Report of the Debt Retirement Fund for the year ended March 31, 2000.

Respectfully submitted,

Honourable Greg Selinger
Minister Responsible for the
Debt Retirement Fund

FUND PROFILE

The Debt Retirement Fund (Fund) was established by The Balanced Budget, Debt Retirement and Taxpayer Protection Act, which received Royal Assent on November 3, 1995. The Act requires that the Government not incur a deficit in any year (subject to limited exceptions), that it gradually retire the general purpose debt of the Province, and that it not increase the rates of major taxes without prior approval of the voters of Manitoba in a referendum. The objectives of the Act were: (a) to prevent any further increase in the general purpose debt of the Province; (b) to provide for the retirement of the general purpose debt over a period of 30 years or less, so that the resources devoted to paying interest on the debt may be devoted instead to providing public services or reducing taxes; and (c) to ensure that there will be no increases in the rates of major taxes without the prior approval of taxpayers.

The Fund is a mechanism for retiring the debt. Because many of the Province's debt issues have fixed terms, the Fund provides necessary flexibility in managing debt repayments. A formula in the Act specifies the minimum amount that must be deposited into the Fund each year. This minimum deposit requirement increases as the debt is reduced. The Minister of Finance may deposit a larger amount in any year. All money deposited in the Fund, along with any interest earned, can only be used to reduce the general purpose debt of the Province. The Minister of Finance may transfer money from the Fund to the Operating Fund for the repayment of debt. However, all money in the Fund must be transferred to repay debt at least every five years.

1999-2000 ACTIVITIES

A payment of $75 million was made into the Fund in 1999-2000.

The assets of the Fund are on deposit with the Minister of Finance. The funds are invested and accorded market rates of interest.

The entire balance of the Fund was transferred to the Operating Fund on April 1, 1999, for repayment of general purpose debt of the Province.

DEBT RETIREMENT FUND

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management of the Department of Finance and have been prepared in accordance with generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding estimates and all other data available up to September 27, 2000.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to properly safeguard assets of the Fund.

The responsibility of the Provincial Auditor is to express an independent, professional opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management

Deputy Minister of Finance
September 27, 2000

Office of the Provincial Auditor

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT

To the Legislative Assembly of Manitoba

I have audited the statement of financial position of the Debt Retirement Fund as at March 31, 2000 and the statement of revenue and expenditure and fund balance for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2000 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

Winnipeg, Manitoba
September 27, 2000

Jon W. Singleton, CA
Provincial Auditor

DEBT RETIREMENT FUND
STATEMENT OF FINANCIAL POSITION

As at March 31, 2000

	2000 $	1999 $
ASSETS		
Funds on Deposit with the Minister of Finance	-	230,071,420
FUND BALANCE		
Fund Balance	-	230,071,420

DEBT RETIREMENT FUND
STATEMENT OF REVENUE AND EXPENDITURE AND FUND BALANCE

For the Year Ended March 31, 2000

	2000 $	1999 $
REVENUE		
Interest Earnings	31,517	3,762,564
Transfer from the Operating Fund (Note 2)	75,000,000	150,000,000
	75,031,517	153,762,564
EXPENDITURE		
Transfer to the Operating Fund for Debt Retirement (Note 3)	305,102,937	-
Fund Balance, beginning of year	230,071,420	76,308,856
Fund Balance, end of year	-	230,071,420

DEBT RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2000

1. Incorporation and Function

The Debt Retirement Fund was established under the authority of the Balanced Budget, Debt Repayment and Taxpayer Protection Act, which received Royal Assent on November 3, 1995. The purpose of the Fund is to assist in the orderly repayment of debt pursuant with sections 8(4) and 8(6) of the Act. Any earnings from investments of the Debt Retirement Fund are credited to the Fund. Transfers to the Operating Fund can only be made in accordance with the provisions of the Act.

2. Transfer from the Operating Fund

Under section 8(4) of The Balanced Budget, Debt Repayment and Taxpayer Protection Act, the Minister of Finance is required to deposit annually in the Fund, a minimum of $75 million from the Operating Fund or such greater amount as determined by the Act. The Minister of Finance may also, with the approval of the Lieutenant Governor in Council, deposit in the Fund any part of the revenue received in the Operating Fund in any fiscal year.

3. Transfer to the Operating Fund

Under section 8(6) of The Balanced Budget, Debt Repayment and Taxpayer Protection Act, the Minister of Finance, with the approval of the Lieutenant Governor in Council, may transfer all or any amounts standing to the credit of the Fund to the Operating Fund for the purpose of reducing the general purpose debt of the Province.

4. Subsequent Event

On August 18, 2000, the Balanced Budget, Debt Repayment and Taxpayer Protection Amendment and Consequential Amendments Act was passed amending The Balanced Budget, Debt Repayment and Taxpayer Protection Act, with related amendments to The Fiscal Stabilization Fund Act and The Financial Administration Act. The Bill changes the name of the Act to The Balanced Budget, Debt Repayment and Taxpayer Accountability Act. This Act is deemed to have come into force on April 1, 2000 and applies to fiscal years commencing after March 31, 2000. Major changes ensure that transfers to and from The Debt Retirement Fund are not recorded as expenditure or revenue but as transfers and broaden the scope of debt repayment to include the pension liability of the government.